

RD AN No. 4136 (1951-E)
January 27, 2006

SUBJECT: Disbursement of Grant Funds

TO: State Directors
Rural Development

ATTN: Business Programs Directors

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) provides guidance and clarification on the requirements for disbursement of grant funds. This is in response to the Management Control Review completed on the Rural Business Opportunity Grant program and findings of Business Program Assessment Reviews.

COMPARISON WITH PREVIOUS AN:

No previous AN has been issued.

IMPLEMENTATION RESPONSIBILITIES:

The Office of Management and Budget (OMB) costs principles provide guidance regarding costs that are allowable, allocable, and reasonable. The costs principles are important references in the development of a grantee's budget. They assist the grantee in budgeting for allowable costs against Federal awards. The cost principles also assist Federal employees to ensure the appropriate use of funds throughout the life of the grant.

Each circular has principles that must be applied in establishing the allowability of certain items of costs. These allowable costs may vary by the type of entity receiving the grant funds. The following are the circulars which relate to a specific type of applicant:

1. CFR Part 230 - Nonprofit Organizations
2. CFR Part 225 - Local and Indian Tribal Governments
3. CFR Part 215 and 220 - Educational Institution
4. 48 CFR 31.2 - For-Profit Organizations

EXPIRATION DATE:
January 31, 2007

FILING INSTRUCTIONS:
Preceding RD Instructions 1951-E

At the time of negotiation of the budget for a grant, the approval official is responsible for determining whether or not expenses under a proposed project are eligible under program regulations, as well as the appropriate cost principle. Throughout the life of the grant, it is also the approving official's responsibility to ensure that requests for advance or reimbursement of funds are submitted in accordance with approved expenses as called for in the grantee's budget. This will require the approving official to seek sufficient detailed documentation from the grantee to ensure that submitted expenses can be paid.

Some examples of documentation that are appropriate to expect of a grantee include, but are not necessarily limited to, invoices for the purchase of equipment or services, itemized payroll summaries, purchase orders, travel statements (with details if applicable), and other such documents.

The approving official will also determine, based on 7 CFR parts 3015, 3016, and 3019, as applicable, whether disbursement of a grant will be by advance or reimbursement. However, if the approving official has made the determination to allow advancement of funds, they must ensure the grantee has in place all standards for financial management systems as required in 7 CFR parts 3016 and 3019. In addition, an approving official should never advance a final payment. Final payments should be made on a reimbursement basis and only after the Agency has received all required reports and documentation and is certain that the project for which funds are sought has been completed.

If you have any questions concerning this AN, please contact Specialty Lender's Division, at (202) 720-1400.

(Signed by Jackie J. Gleason)

JACKIE J. GLEASON
Acting Administrator
Business and Cooperative Programs